The WAY Flexible Inheritor Plan

Factsheet

WAY Investment Services

The WAY Flexible Inheritor Plan allows the settlor to make a significant lifetime gift into a family trust for their beneficiaries and still retain potential access to annual capital payments via reversions. The Plan offers a flexible solution that can deal with changing personal and family circumstances whilst helping to mitigate inheritance tax.

Key details of the WAY Flexible Inheritor Plan

Minimum lump sum investment	£100,000
Maximum investment	No maximum, although the balance of any gift above the Settlor's available NRB (and, if applicable, the Annual Gift Exemption) would be subject to an entry charge
Trust description	Flexible reversionary trust (interest in possession).
Underlying investments	Collectives
Investment fund options	WAY-branded Portfolio funds or the Open Architecture Managed Portfolio Service.
Main features of WAY-branded Portfolio funds	Fund of funds that are externally managed with the objective of capital growth, which is likely to result in no net investment income generated, maximising CGT efficiency and simplifying trust administration.
Main features of the Open Architecture Managed Portfolio Service	Access to a wide range of collectives (ie unit trusts, OEICs & ETFs) either available on or acceptable to the Plato Nominee & Investment Administration Service or through other investment platforms and DFMs.
Single or joint settlor?	Single settlor only.
Age limits for settlor	18 minimum; no upper age limit.
IHT treatment of gift to trust	Chargeable Lifetime Transfer, with no discount.
Can the settlor or their spouse/civil partner be a trustee?	No. A professional trustee service is appointed by WAY at outset.
Potential access for settlor to capital?	Yes. The settlor retains the right to receive annual reversions if alive on the due date unless the trustees decide otherwise (see below).
Can the reversion be defeated by trustees?	Yes. The trustees can defer a forthcoming reversion in part or in total to a later date or appoint the capital to the beneficiaries.
Any tax implications on deferral?	No. Deferring a reversion is not a disposal for CGT.
Trust income	Any trust income, if generated, remaining after deduction of trust expenses is payable to beneficiaries named by the settlor in the trust deed.
Trust capital	Held for a wide class of potential beneficiaries, who automatically include the income beneficiaries, their descendants and their respective spouses/civil partners. The trustees have full control over who will benefit.

Continued overleaf

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Factsheet (continued)

Flexibility to change beneficiaries later	Trustees can extend the list of potential capital beneficiaries but cannot change the income beneficiaries or their entitlement.
Capital payments/loans to beneficiaries	Trustees can distribute/lend capital to the beneficiaries at any time.
Income Tax position of the settlor	Trust is settlor-interested so all trust income is taxable on the settlor.
Income Tax position of the trustees	Trustees pay tax at 7.5% on dividends received and 20% on interest.
Income Tax position of the beneficiaries	Beneficiaries receiving trust income will not be taxed on this whilst the settlor is alive.
CGT position of the trustees	Trustees pay 20% tax on gains realised in excess of their annual exemption.
What counts as a disposal for CGT by the trustees?	Selling investments, reversions made to the settlor and appointing capital to beneficiaries.
CGT position of a beneficiary	Holdover relief can usually be claimed to defer CGT when investments are transferred to a beneficiary, who can then use their full annual CGT exemption to minimise/eliminate tax on eventual disposal. The settlor cannot claim holdover relief.
IHT taxation of trust fund	Periodic charges may apply on every 10-year anniversary and exit charges may arise whenever capital is paid to beneficiaries. Reversion payments to the settlor and loans to beneficiaries do not attract an exit charge.
Death of a beneficiary	No IHT implications for the trust.
Death of the settlor	If death happens within seven years of setting up the trust, the original chargeable transfer will reduce the nil rate band available to the settlor's estate. Reversions now cease but the trust can continue.
Pre-Owned Asset Tax (POAT) and Gifts with Reservation rules	HMRC has confirmed that the Plan is not subject to these provisions.

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For more information please contact WAY on 01202 890895 or email: advisersupport@waygroup.co.uk.

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